

Message Text

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PAGE 01 LISBON 03568 251657Z

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ACTION COME-00

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R 251625Z JUN 75

FM AMEMBASSY LISBON

TO SECSTATE WASHDC 3209

INFO AMEMBASSY MADRID

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MADRID NOT ADDRESSEE PASS TO AMB CARLUCCI

PASS TO EX-IM BANK FOR MR. HEIDRICK

PASS TO USDOC FOR MEPD

E.O. 11652: N/A

TAGS: BEXP, PO

SUBJ: CNP PETROCHEMICAL COMPLEX

REF: (A) STATE 144228

(B) LISBON 3464

(C) LISBON 2190

1. COMMERCIAL ATTACHE AND JOHANSSON OF LUMMUS COMPANY HAD LONG MEETING JUNE 24 WITH BOARD OF DIRECTORS OF COMPANHIA NACIONAL DE PETROQUIMICA SARL (CNP) TO DISCUSS ETHYLENE PLANT AT SINES. COMMATT MENTIONED USG INTEREST IN PROJECT AND NOTED EX-IM WOULD CONSIDER REQUEST FOR FINANCING OF PROJECT.

2. CNP DIRECTORS IMPLIED THEY FAVORABLY DISPOSED TOWARDS LUMMUS GIVEN FIRM'S PREVIOUS WORK WITH PETROSUL, BUT FINAL DECISION TO BE MADE BY COUNCIL OF MINISTERS. FINANCING WILL BE CRITICAL TO AWARD OF CONTRACT. AWARD COULD BE MADE AS EARLY AS JUNE 26 ALTHOUGH EMBASSY BELIEVES THIS TIME FRAME OPTIMISTIC. DECREE LAW ESTABLISHING CNP (UNOFFICIAL TRANSLATION SUBMITTED BY POUCH) MUST BE AMENDED BEFORE AWARD CAN BE MADE.
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PAGE 02 LISBON 03568 251657Z

OFFICIALS STRESSED THAT ANY EX-IM SUPPORT FOR CNP SHOULD NOT

DIMINISH AMOUNT USG AID PROGRAM TO PORTUGAL. ALSO NOTED INTEREST IN POSSIBLE FINANCING OF SOME LOCAL COSTS.

3. CNP DIRECTORS ESTIMATE THAT FIRM IS APPROXIMATELY 83 PERCENT OWNED BY GOP. EXACT OWNERSHIP STATUS NOT CLEAR DUE TO RECENT NATIONALIZATION OF BANKS WHICH OWNED SIGNIFICANT SHARES IN CUF, A MAJOR PARTNER IN CNP. CNP SLATED FOR SOME TYPE OF STATE INTERVENTION (PROBABLY FULL NATIONALIZATION) IN ACCORDANCE WITH GOP MEASURES ADOPTED IN MID-APRIL (SEE REFTEL C) WITH RESPECT TO PETROCHEMICAL INDUSTRY. HOWEVER, COMPANY ALREADY UNDER FIRM MANAGERIAL AND FINANCIAL CONTROL OF GOP, THUS FULL NATIONALIZATION WILL NOT MEAN ANY OPERATIONAL CHANGES.

4. JOHANSON HAS ADVISED LUMMUS OFFICIALS IN U.S. TO CONTACT EX-IM ASAP FOR PRELIMINARY COMMITMENT. THERE WILL BE USE FOR P/C SHOULD THERE BE LONG DELAY IN CONTRACT AWARDED.

5. EMBASSY STRONGLY RECOMMENDS THAT EX-IM GIVE SYMPATHETIC CONSIDERATION TO FINANCING FOR THIS PROJECT. THE ETHYLENE PLANT WILL BE THE FIRST UNIT IN A LARGE DOWNSTREAM PETROCHEMICAL COMPLEX AND THE WINNING OF THIS AWARD COULD MEAN FUTURE CONTRACTS AND ADDITIONAL SIGNIFICANT U.S. EXPORTS. TOTAL ESTIMATED FIXED INVESTMENT IN DOWNSTREAM COMPLEX IS MORE THAN \$150 MILLION. AWARD OF ETHYLENE PROJECT EXPECTED GENERATE WIDESPREAD PUBLICITY GIVEN FACT IT WILL BE FIRST LARGE PROJECT ANNOUNCED THIS YEAR. AWARD TO U.S. FIRM WOULD DEMONSTRATE CONTINUED U.S. INTEREST IN PORTUGAL AND TEND TO COUNTERACT CHARGES OF ECONOMIC BOYCOTT OR SABOTAGE.
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